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Message Text

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65
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

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H-02 L-02 STR-04 ABF-01 /084 W
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R 171911Z APR 75
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 0814

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E.O. 11652: N/A
TAGS: EGEN, EFIN, AR
SUBJ: GOMEZ MORALES SPEAKS ON ECONOMIC SITUATION

REF: BA 2613

1. SUMMARY: FOLLOWING APRIL 15 MEETING OF ECONOMIC TEAM MENTIONED REFTEL, ECON MIN GOMEZ MORALES SPOKE TO PRESS ON ECONOMIC SITUATION. HE SAID ECONOMIC PLAN OF MINISTRY PRESENTED TO MRS. PERON FOR APPROVAL THAT MORNING. HE SAID PLAN FOCUSED ON NEED TO RESTRAIN DOMESTIC INFLATION AND PROTECT BALANCE OF PAYMENTS. END SUMMARY.

2. DOMESTIC POLICY--GOMEZ MORALES EMPHASIZED ECONOMIC TEAM GAVE PRIORITY TO RESTRAINING INFLATION. IN THIS REGARD, RESTRAINT IN COLLECTIVE BARGAINING SESSIONS, REDUCTION LABOR ABSENTEEISM AND INCREASE IN PRODUCTIVITY ALL IMPORTANT. GOMEZ MORALES LEFT IMPRESSION DOMESTIC PRICES WOULD REMAIN CAREFULLY CONTROLLED. HE EMPHASIZED PLAN NOT RECESSIVE AND WOULD NOT AFFECT REAL INCOME. HE ANNOUNCED MRS. PERON HAD ALREADY SIGNED DECREE TRANSFERRING NATIONAL COMMISSION ON WAGES, PRICES AND COST OF LIVING (CONAPRIN) FROM JURISDICTION F COMMERCE SECRETARY DIRECTLY TO ECON MIN.
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3. EXTERNAL POLICY--ON EXTERNAL POLICY, GOMEZ MORALES SAID ECONOMIC TEAM CONCERNED OVER IMPORT SURGE DURING LAST SIX MONTHS TOTALED $2,144 MILLION, A LEVEL WHICH COULD NOT CONTINUE. HE REJECTED IDEA OF QUOTAS, BUT EMPHASIZED IMPORTS MUST BE MORE TIGHTLY CONTROLLED. GOMEZ MORALES FORECAST 1975 EXPORTS AT $3,700 MILLION WITH TRADE SURPLUS OF $300-400 MILLION. HE THOUGHT PRESENT CENTRAL BANK GROSS EXTERNAL RESERVE POSITION OF $1,100 MILLION COULD BE MAINTAINED, OR INCREASED, DURING YEAR. HOWEVER, HE REFUSED TO SPECULATE FURTHER ON BALANCE OF PAYMENTS RESULTS STATING CAPITAL FLOWS AND OTHER FACTORS STILL UNCERTAIN.

4. COMMENT: WITH PRESENTATION ECONOMIC DOCUMENT TO PRESIDENT, POLITICAL STRUGGLE OVER ECONOMIC POLICY LEADERSHIP CONTINUES. THIS TIME, GOMEZ MORALES APPEARS TO HAVE SEIZED INITIATIVE, SUCCESSFULLY FOCUSING ATTENTION OF COUNTRY ON SERIOUSNESS ECONOMIC SITUATION AND NEED FOR RESTRAINT. WE BELIEVE THERE IS GOOD CHANCE PRESIDENT WILL NOW "ACCEPT" PLAN, PROVIDING GOMEZ MORALES WITH ADDITIONAL POLITICAL BACKING HE FEELS HE NEEDS. IF PRESIDENTIAL SUPPORT NOT FORTHCOMING, GOMEZ MORALES QUITE LIKELY TO RESIGN. AS TO SUBSTANCE OF PLAN, RELIABLE ECONOMY MINISTRY SOURCE WHO PARTICIPATED IN DRAFTING SAYS IT CONTAINS NOTHING ESPECIALLY NEW OR DRAMATIC. SOURCE DENIED PERSISTENT RUMORS THAT GOA INTENDS FURTHER DEVALUATION OF FINANCIAL RATE IN NEAR FUTURE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ANTIINFLATIONARY PROGRAMS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUENOS02674
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750135-0825
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750439/aaaabkhk.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BA 2613
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 02 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 SEP 2003 by BoyleJA>; APPROVED <22 DEC 2003 by johnsorg>
Review Markings:

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US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOMEZ MORALES SPEAKS ON ECONOMIC SITUATION
TAGS: EGEN, EFIN, AR, (GOMEZ MORALES, ALFREDO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006